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SUBJECT: TRANSNISTRIAN BUDGET BATTLE

REF: CHISINAU 48

SENSITIVE BUT UNCLASSIFIED; PLEASE PROTECT ACCORDINGLY

11. (SBU) SUMMARY: On February 20, the Transnistrian (TN) Supreme Soviet (parliament) voted to override the Executive's partial veto of the 2008 budget law (reftel). The Supreme Soviet stood firm on measures which limit the Executive, forcing the transfer of revenues generated by ministries and executive agencies to the state budget and taking partial control of state-owned media. Given TN economic difficulties, the two sides agreed on a special business tax to support the state pension fund. END SUMMARY.

2008 BUDGET BATTLE: ROUND TWO

12. (SBU) On December 30, TN President Smirnov signed the 2008 budget law, vetoing 21 articles, mainly those that limited funding for the Executive. The budget law was published on December 31 with asterisks noting the vetoed items. According to media reports, Smirnov opposed the Supreme Soviet's measures which reduced the processing time for customs clearances, prohibited staff increases for certain ministries and executive agencies, and required the transfer of all fees collected by ministries and executive agencies to the state budget, instead of remaining under the Executive's control. The Supreme Soviet also insisted that TN state-owned broadcasters could not be funded by the state budget unless control of TN television and radio was shared by the Executive and Supreme Soviet.

13. (SBU) Following the end-of-year recess, appropriate committees in the Supreme Soviet examined the Executive's vetoes. According to media reports, the Supreme Soviet attempted to work with the Executive, requesting proposals to amend the contentious articles in the budget. However, the Executive continued to argue that the Supreme Soviet's actions were unconstitutional. The two sides did agree on a special business tax to support the state pension fund. The Supreme Soviet hopes to generate USD 20 million in 2008 to bolster the pension fund.

14. (SBU) On February 20, the Supreme Soviet voted to override 16 of the 21 articles vetoed by Smirnov, mainly those that limit the Executive's authority. However, Smirnov was successful in maintaining his veto of the Supreme Soviet's populist provision establishing a "voter's request fund." This measure, an Obnovlenie campaign promise, would have created a slush fund for parliament to provide direct social assistance based on citizens' petitions.

15. (SBU) COMMENT: Conceding on minor issues, Speaker Shevchuk and the Supreme Soviet stood firm on increasing control over the Executive, limiting the (financial) power of certain law-enforcement agencies (supervised by his opponents), and gaining access to state-owned media outlets. END COMMENT.

